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The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819

BOSTON, MASSACHUSETTS 02108

TEL. (617) 727-6200

A. JOSEPH DeNUCCI

AUDITOR



NO. 2001-3052-8

INDEPENDENT STATE AUDITOR'S REPORT
ON THE ACTIVITIES OF THE
BELCHERTOWN HOUSING AUTHORITY
OCTOBER 1, 1998 TO SEPTEMBER 30, 1999

OFFICIAL AUDIT
REPORT
OCTOBER 31 , 2001

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	3
REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO STATE-AIDED FINANCIAL ASSISTANCE PROGRAMS	5
AUDIT RESULTS	7
<u>Status of Prior Audit Results:</u> Our prior audit report of the Belchertown Housing Authority (No. 99-0609-3), which covered the period October 1, 1997 to September 30, 1998, disclosed no reportable conditions and expressed unqualified opinions.	7
<u>Current Audit Results:</u> Our current audit, which covered the period October 1, 1998 to September 30, 1999, disclosed that the Authority lost approximately \$2,324 in potential rental income by not filling vacant housing units on a timely basis. As a result, the Authority has not maximized its rental income and may have deprived eligible applicants from receiving subsidized housing.	7
FINANCIAL STATEMENTS	9
I. Combined Balance Sheet, September 30, 1999	9
II. Combined Statement of Income and Expenses, Fiscal Year Ended September 30, 1999	10
III. Combined Statement of Cash Flows, Fiscal Year Ended September 30, 1999	11
NOTES TO FINANCIAL STATEMENTS	12
FINANCIAL DATA SCHEDULES	18
I. Balance Sheets, September 30, 1999	18
II. Revenues and Expenses, Fiscal Year Ended September 30, 1999	19
SUPPLEMENTARY SCHEDULES	20
I. Schedule of Expenditures of Federal Awards, Fiscal Year Ended September 30, 1999	20

TABLE OF CONTENTS (Continued)

PageState-Aided Programs in Management

II. Balance Sheets, September 30, 1999	21
III. Operating Statements, Fiscal Year Ended September 30, 1999	22
IV. Analysis of Surplus, Fiscal Year Ended September 30, 1999	23

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	24
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS Fiscal Year Ended September 30, 1999	27
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SUPPLEMENTARY INFORMATION	28
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ORGANIZATION	29
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2001-3052-8

INDEPENDENT AUDITOR'S REPORT

Louise Butler, Chairperson
Belchertown Housing Authority
41 Everett Avenue OFC 24
Belchertown, Massachusetts 01007-1073

We have audited the Belchertown Housing Authority's financial statements as of and for the fiscal year ended September 30, 1999, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Notes to Financial Statements, No. 1, the Authority's federally aided program records are maintained in conformity with generally accepted accounting principles (GAAP). The state-aided program records are maintained on the basis of accounting prescribed by the Commonwealth's

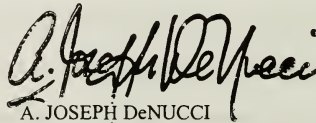
Department of Housing and Community Development (DHCD), which is a comprehensive basis of accounting other than GAAP, but does not materially depart from GAAP.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Belchertown Housing Authority as of September 30, 1999, and the results of its operations and cash flows for the fiscal year then ended, in conformity with GAAP, applied on a consistent basis.

In accordance with Government Auditing Standards, we have also issued a report dated April 27, 2001 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Belchertown Housing Authority, taken as a whole. The accompanying Financial Data Schedules and Supplementary Schedules are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, U.S. Department of Housing and Urban Development, and by the Commonwealth's DHCD, and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

April 27, 2001



A. JOSEPH DeNUCCI
Auditor of the Commonwealth



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-3-

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Louise Butler, Chairperson
Belchertown Housing Authority
41 Everett Avenue OFC 24
Belchertown, Massachusetts 01007-1073

We have audited the Belchertown Housing Authority's financial statements as of and for the fiscal year ended September 30, 1999, and have issued our report thereon dated April 27, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

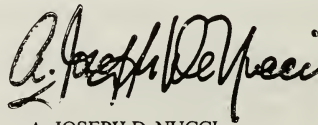
Compliance

As part of obtaining reasonable assurance about whether the Belchertown Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Belchertown Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Belchertown Housing Authority's Board of Commissioners, management, the Commonwealth's Department of Housing and Community Development, the U.S. Department of Housing and Urban Development, and other federal audit agencies. However, this report is a matter of public record, and its distribution is not limited.



A. JOSEPH DeNUCCI
Auditor of the Commonwealth

April 27, 2001



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-5-

REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO STATE-AIDED FINANCIAL ASSISTANCE PROGRAMS

Louise Butler, Chairperson
Belchertown Housing Authority
41 Everett Avenue OFC 24
Belchertown, Massachusetts 01007-1073

We have audited the Belchertown Housing Authority's financial statements and supplementary schedules as of and for the fiscal year ended September 30, 1999 and have issued our report thereon dated April 27, 2001.

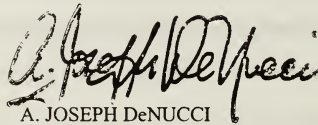
We have also audited the Authority's compliance with the requirements governing types of services, eligibility, reporting, and special tests and provisions that are applicable to its state-aided financial assistance programs, which are identified in the Supplementary Information section of this report, for the fiscal year ended September 30, 1999. The management of the Belchertown Housing Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Belchertown Housing Authority complied, in all material respects, with the requirements governing types of services, eligibility, reporting, and special tests and provisions that are applicable to its state-aided financial assistance programs for the fiscal year ended September 30, 1999.

This report is intended for the information of the Belchertown Housing Authority's Board of Commissioners, management, the Commonwealth's Department of Housing and Community Development, the U.S. Department of Housing and Urban Development, and other federal audit agencies. However, this report is a matter of public record, and its distribution is not limited.

April 27, 2001

A handwritten signature in dark ink, appearing to read "A. Joseph DeNucci". The signature is stylized with a large, looped initial "A" and a cursive "DeNucci".

A. JOSEPH DeNUCCI
Auditor of the Commonwealth

AUDIT RESULTS

Status of Prior Audit Results

Our prior audit report of the Belchertown Housing Authority (No. 99-0609-3), which covered the period October 1, 1997 to September 30, 1998, disclosed no reportable conditions and expressed unqualified opinions.

Current Audit ResultsExcessive Delays in Renting Vacant Units:

Our current audit, which covered the period October 1, 1998 to September 30, 1999, disclosed that the Authority lost approximately \$2,324 in potential rental income by not filling vacant housing units in a timely manner. Specifically, we found that the Authority had not filled three vacant units in its elderly housing program and two vacant units in its family housing program on a timely basis, as follows:

<u>Housing Program</u>	<u>Number of Units</u>	<u>Total Days Vacant</u>	<u>Days in Excess of DHCD Guidelines</u>	<u>Lost Potential Rental Income</u>
Elderly	3	242	179	\$1,502
Family	2	116	74	822
Totals	<u>5</u>	<u>358</u>	<u>253</u>	<u>\$2,324</u>

As a result, the Authority has not maximized its rental income and may have deprived eligible applicants from receiving subsidized housing.

The Department of Housing and Community Development's (DHCD) Management Incentive Program for Massachusetts Housing Authorities, effective July 1, 1992, requires each housing Authority to take adequate steps to maintain the lowest possible vacancy rate. DHCD guidelines state that a reasonable turnaround time for occupancy of vacant units is 21 days.

Because of the delays in preparing and leasing the units, eligible applicants have been denied, at least temporarily, subsidized housing. Furthermore, the loss of \$2,324 in potential rental income has an impact on the operating reserves of the Authority, which can be used to improve housing units.

Recommendation: The Authority should review its policies to ensure that all vacant units are occupied within DHCD's 21-day turnaround guideline and avoid losing the opportunity to earn additional income. Moreover, the Authority should improve and update its waiting lists to ensure that those applicants at or near the top of these lists are informed of any potential vacancies that may occur in the near future, and begin preliminary processing of those applicants for final eligibility before the units become available.

Auditee's Response: The Authority indicated that it would take the necessary steps to resolve this issue.

FINANCIAL STATEMENTS

Statement No. ICombined Balance Sheet

September 30, 1999

<u>Assets</u>	Annual Contributions Contract B-1427 Section 8		<u>Total</u>
	<u>Certificate</u>	<u>Voucher</u>	
Cash	\$ 32,306	\$ 3,174	\$ 35,480
Investments	5,853	-	5,853
Deferred Charges	120	-	120
Equipment	1,674	-	1,674
Less: Accumulated Depreciation	<u>(1,674)</u>	<u>-</u>	<u>(1,674)</u>
Total Assets	<u>\$ 38,279</u>	<u>\$ 3,174</u>	<u>\$ 41,453</u>
<u>Liabilities and Equity</u>			
Liabilities:			
Accounts Payable	\$ 31,499	\$ 2,910	\$ 34,409
Accrued Liabilities	<u>237</u>	<u>-</u>	<u>237</u>
Total Liabilities	<u>\$ 31,736</u>	<u>\$ 2,910</u>	<u>\$ 34,646</u>
Equity:			
Retained Earnings	\$ 6,543	\$ 264	\$ 6,807
Total Equity	<u>\$ 6,543</u>	<u>\$ 264</u>	<u>\$ 6,807</u>
Total Liabilities and Equity	<u>\$ 38,279</u>	<u>\$ 3,174</u>	<u>\$ 41,453</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IICombined Statement of Income and Expenses

Fiscal Year Ended September 30, 1999

	Annual Contributions		
	Contract B-1427		
	Section 8		
	Certificate	Voucher	Total
Operating Income :			
HUD PHA Grants	\$ 134,417	\$ 23,780	\$ 158,197
Interest on General Fund Investments	220	48	268
Interest on Operating Reserve Investments	137	-	137
Total Operating Income	<u>\$ 134,774</u>	<u>\$ 23,828</u>	<u>\$ 158,602</u>
Operating Expenses:			
Administration	\$ 14,391	\$ 2,946	\$ 17,337
General Expenses	455	100	555
Housing Assistance Payments	120,224	20,518	140,742
Total Operating Expenses	<u>\$ 135,070</u>	<u>\$ 23,564</u>	<u>\$ 158,634</u>
Net Income/(Loss)	<u>\$ (296)</u>	<u>\$ 264</u>	<u>\$ (32)</u>
Retained Earnings, September 30, 1998	\$ 6,839	-	\$ 6,839
Net Income/(Loss)	<u>(296)</u>	<u>\$ 264</u>	<u>(32)</u>
Retained Earnings, September 30, 1999	<u>\$ 6,543</u>	<u>\$ 264</u>	<u>\$ 6,807</u>

The accompanying notes are an integral
part of these financial statements.

Statement No. IIICombined Statement of Cash Flows

Fiscal Year Ended September 30, 1999

	Annual Contributions		
	Contract B-1427		
	Section 8		
	Certificate	Voucher	Total
Net Income / (Loss)	\$ (296)	\$ 264	\$ (32)
Adjustments:			
Changes in Operating Assets and Liabilities:			
Decrease in Accounts Receivable	\$ 1,446	-	\$ 1,446
Decrease in Investments	2,833	-	2,833
Decrease in Deferred Charges	120	-	120
Increase in Accounts Payable and Accrued Liabilities	28,112	\$ 2,910	31,022
(Decrease) in Deferred Credits	(13,715)	-	(13,715)
Total Adjustments	\$ 18,796	\$ 2,910	\$ 21,076
Net Cash Increase	\$ 18,500	\$ 3,174	\$ 21,674
Cash Balance, September 30, 1998	13,806	-	13,806
Cash Balance, September 30, 1999	\$ 32,306	\$ 3,174	\$ 35,480

The accompanying notes are an integral
part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policiesa. Organization

The Belchertown Housing Authority is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority operates and administers low-rent housing programs, which are funded/assisted by the Commonwealth's Department of Housing and Community Development (DHCD) and the U.S. Department of Housing and Urban Development (HUD). The Authority is governed by a five member board, which elects a chairperson and employs an executive director to administer the affairs of the Authority. (See Organization section of this report.)

The Authority's operations and relationship with the Federal government are governed by contracts allowing the Authority to make housing assistance payments for eligible individuals and families. The Board of Commissioners authorizes these contracts with HUD pursuant to the latter agency's regulations and statutory authorizations.

b. Fund Accounting

The accounts of the Authority are organized on the basis of program funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity/retained earnings, revenues and expenses. Resources are allocated to and accounted for in individual program funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various program funds are presented, in the financial statements in this report, as two generic fund types and two broad fund categories, as follows:

GOVERNMENTAL FUND TYPE

Special Revenue Funds – Special revenue funds account for resources earmarked for specific purposes by law or by contractual provisions. Expenditures include those for low income housing, administration, and capital outlay. In addition, various grants are accounted for in this fund type in

accordance with the respective grant provisions. The measurement focus is the flow of current financial resources.

PROPRIETARY FUND TYPE

Enterprise Funds – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Authority is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The measurement focus is upon determination of net income, financial position, and cash flows.

c. Basis of Accounting

GOVERNMENTAL FUND TYPE

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Revenue recognition for the major revenue categories is as follows:

1. Rental revenue is accrued based on monthly rental rates for each unit.
2. Intergovernmental revenues (grant and subsidy revenues) are determined by the legal and contractual requirements of the individual intergovernmental programs.
3. Charges for services that have not been billed are accrued and reported in the financial statements. Other miscellaneous income is recorded when received.
4. Interest income is accrued as earned.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include inventories and prepaid expenditures, which are considered expenditures when used.

PROPRIETARY FUND TYPE

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,

proprietary fund types follow all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements and predecessor Accounting Principles, Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989. Under paragraph 7 of Statement No. 20, the Authority has elected to apply FASB pronouncements issued after November 30, 1989 unless they conflict with or contradict GASB pronouncements.

d. State-Aided Programs

The Authority prepares its financial statements for its state-aided programs on the basis of accounting prescribed by DHCD. Under this method of accounting, the Authority's operations are not considered to be self-sustaining, and, therefore, its financial statements do not show provisions for depreciation of structures and equipment. Capital facilities are financed either by grants from the Commonwealth or by debt, which the Commonwealth guarantees and subsidizes. The Authority also receives from the Commonwealth additional subsidies that are applied to operating deficits.

e. Budgeting and Budgetary Accounting

The Authority adopts a consolidated annual operating budget for all programs. In addition, program budgets for the Housing Assistance Payments (HAP) Funds are approved by HUD on a basis consistent with the grant applications covering the HAP Program.

f. Cash and Cash Equivalents

The Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. All deposits are insured by the Federal Deposit Insurance Corporation. Cash consists of money market accounts and investments consist of Massachusetts Municipal Depository Trust accounts.

g. Due From and Due To Other Funds

During the course of its operations, the Authority has numerous transactions between funds to finance operations and provide services. To the extent that certain transactions between funds had not been paid or received as of September 30, 1999, balances of interfund accounts receivable and payable have been recorded.

h. Fixed Assets

Fixed assets, including furniture, equipment, and machinery, are accounted for at cost, and were fully depreciated during prior year.

i. Annual Contributions

In accordance with the annual contributions contracts, the Authority receives contributions from HUD for its HAP programs. Such amounts are included as grant revenues from the federal government in the combined financial statements.

j. Compensated Absences

Employees earn annual vacation leave at varying rates depending on their years of service. At termination, employees are paid for any unused accumulated vacation leave. Employees also earn annual sick leave at established rates. The cost of accumulated vacation and the related liability are reported in the period earned.

k. Fund Balances and Retained Earnings

All fund balances and retained earnings are reserved by the grant program for future expenses or must be returned to the grantor and generally may not be used in any manner by the Authority except as specified under the respective grant contracts. The operating reserves represent fund equity set aside to cover future operations.

l. Income Taxes

As a political subdivision of the Commonwealth of Massachusetts, the Authority is exempt from federal and state income taxes.

m. Use of Estimates

The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingencies at the date of the combined financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

2. The Reporting Entity

All federal operations and programs for which the Authority has oversight responsibility are included in the Financial Statements section of this report. The state operations and programs are included in the Supplementary Schedules of this report. Oversight responsibility is derived from a number of criteria, including financial interdependency, selection of governing authority, designation of management, ability to influence operations, and accountability for financial matters.

The criteria noted above were used in deciding whether to include or exclude specific functions, programs, and organizations from the Authority's reporting entity definition. The Authority's combined financial statements and supplementary schedules include all programs for which the Authority has oversight responsibility.

3. Pension Plan Obligations

Authority employees participate in the Commonwealth of Massachusetts Contributory Retirement System established under Chapter 32 of the General Laws of Massachusetts. The Authority's annual share of its retirement plan contributions is recognized as an expense in the fiscal year the contribution is made.

4. Accounting Change

Effective for the fiscal year ended September 30, 1999, the Authority was required by HUD to present its combined financial statements in accordance with GAAP instead of in accordance with the HUD basis of accounting as previously presented. The Authority restated earnings as of October 1, 1998 to recognize depreciation pertaining to prior years. The Authority's beginning equity balances as of October 1, 1998 have been restated as follows:

	Section 8		<u>Total</u>
	<u>Voucher</u>	<u>Certificate</u>	
Beginning balance as previously reported	-	\$ 8,513	\$ 8,513
Prior years accumulated depreciation	-	(1,674)	(1,674)
Beginning balance as restated	-	<u>\$ 6,839</u>	<u>\$ 6,839</u>

5. Pending Litigation

Certain claims, suits, and complaints arising in the ordinary course of business have been filed and are pending against the Authority. In the opinion of the Authority's management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind or involve such amounts as would not have a material adverse effect on the combined financial statements of the Authority.

FINANCIAL DATA SCHEDULES

Financial Data Schedule No. IBalance Sheets

September 30, 1999

<u>Assets</u>	Section 8		<u>Total</u>
	<u>Rental Voucher</u>	<u>Rental Certificate</u>	
	<u>14.855</u>	<u>14.857</u>	
Current Assets:			
Cash	\$ 3,174	\$ 32,306	\$ 35,480
Investments	-	5,853	5,853
Prepaid Expenses and Other Assets	-	120	120
Total Current Assets	<u>\$ 3,174</u>	<u>\$ 38,279</u>	<u>\$ 41,453</u>
Fixed Assets:			
Furniture, Equipment, and Machinery:			
Administration	-	\$ 1,674	\$ 1,674
Less: Accumulated Depreciation	-	(1,674)	(1,674)
Fixed Assets, Net of Accumulated Depreciation	-	-	-
Total Assets	<u>\$ 3,174</u>	<u>\$ 38,279</u>	<u>\$ 41,453</u>
Liabilities:			
Accounts Payable - Less than 90 Days	-	\$ 15,051	\$ 15,051
Accounts Payable - HUD PHA Programs	\$ 2,910	16,448	19,358
Accrued Wages/Payroll Taxes Payable	-	237	237
Total Liabilities	<u>\$ 2,910</u>	<u>\$ 31,736</u>	<u>\$ 34,646</u>
<u>Liabilities and Equity</u>			
Equity:			
Retained Earnings	\$ 264	\$ 6,543	\$ 6,807
Total Equity	<u>\$ 264</u>	<u>\$ 6,543</u>	<u>\$ 6,807</u>
Total Liabilities and Equity	<u>\$ 3,174</u>	<u>\$ 38,279</u>	<u>\$ 41,453</u>

The accompanying notes are an integral part of these financial data schedules.

Financial Data Schedule No. IIRevenues and Expenses

Fiscal Year Ended September 30, 1999

	Section 8		
	<u>Rental Voucher</u>	<u>Rental Certificate</u>	<u>Total</u>
	<u>14.855</u>	<u>14.857</u>	
Revenues:			
HUD PHA Grants	\$ 23,780	\$ 134,417	\$ 158,197
Investment Income - Unrestricted	<u>48</u>	<u>357</u>	<u>405</u>
Total Revenues	<u>\$ 23,828</u>	<u>\$ 134,774</u>	<u>\$ 158,602</u>
Expenses:			
Administrative	\$ 2,946	\$ 14,391	\$ 17,337
General Expenses	100	455	555
Housing Assistance Payments	<u>20,518</u>	<u>120,224</u>	<u>140,742</u>
Total Expenses	<u>\$ 23,564</u>	<u>\$ 135,070</u>	<u>\$ 158,634</u>
Excess/(Deficiency) of Revenue Over/ (Under) Expenses	<u>\$ 264</u>	<u>\$ (296)</u>	<u>\$ (32)</u>
Memo Account Information:			
Beginning Equity Balance	-	\$ 6,839	\$ 6,839
Maximum Annual Contributions Commitment	\$ 28,117	\$ 125,862	\$ 153,979
Contingency Reserve. ACC Program Reserve	<u>-</u>	<u>52,757</u>	<u>52,757</u>
Total Annual Contributions Available	<u>\$ 28,117</u>	<u>\$ 178,619</u>	<u>\$ 206,736</u>
Units Months Available	240	120	50
Number of Unit Months Leased	65	283	348

The accompanying notes are an integral
part of these financial data schedules.

SUPPLEMENTARY SCHEDULES

Supplementary Schedule No. ISchedule of Expenditures of Federal Awards

Fiscal Year Ended September 30, 1999

<u>Department of Housing and Urban Development</u>	<u>Federal CFDA Number</u>	<u>Annual Contributions Contract</u>	<u>Expenditures</u>
<u>Section 8 Cluster:</u>			
Section 8 Rental Certificate Program	14.857	B 1427	\$ 134,417
Section 8 Rental Voucher Program	14.855	B 1427	<u>23,780</u>
Total Section 8 Cluster			<u>\$ 158.197</u>

¹ Refer to Catalog of Federal Domestic Assistance.

Note:

The Schedule of Expenditures of Federal Awards presents the activity of all federally-assisted programs of the Authority. The Authority's reporting entity is defined in Note 2 to the Authority's combined financial statements. All expenditures of federal awards received directly from federal agencies are included in the schedule.

The accompanying notes are an integral part of these supplementary schedules.

Supplementary Schedule No. IIState-Aided Programs in ManagementBalance Sheets

September 30, 1999

<u>Assets</u>	Family and Elderly Housing Program 400	Special Needs Housing Program		<u>Total</u>
		<u>689-C</u>	<u>689-1A</u>	
Cash	\$ 24,809	\$ 17,819	\$ 3,599	\$ 46,227
Accounts Receivable	15,366	-	435	15,801
Investments	61,239	51,143	-	112,382
Deferred Charges	3,364	-	-	3,364
Development Costs	2,205,717	910,694	103,678	3,220,089
Inventory of Furniture and Equipment	43,178	14,482	1,348	59,008
Inventory of Furniture and Equipment - Contra	(2,964)	(10,939)	(259)	(14,162)
Completed Modernization Costs	174,421	-	-	174,421
Total Assets	<u>\$ 2,525,130</u>	<u>\$983,199</u>	<u>\$ 108,801</u>	<u>\$3,617,130</u>
<u>Liabilities and Surplus</u>				
Accounts Payable	\$ 17,296	\$ 116	-	\$ 17,412
Accrued Liabilities	975	379	\$ 57	1,411
Deferred Credits	394	-	-	394
Grants Issued	2,205,717	910,694	103,678	3,220,089
Cumulative DHCD Modernization				
Contributions	174,421	-	-	174,421
Surplus	126,327	72,010	5,066	203,403
Total Liabilities and Surplus	<u>\$ 2,525,130</u>	<u>\$983,199</u>	<u>\$ 108,801</u>	<u>\$3,617,130</u>

The accompanying notes are an integral
part of these supplementary schedules.

Supplementary Schedule No. IIIState-Aided Programs in ManagementOperating Statements

Fiscal Year Ended September 30, 1999

	Family and Elderly Housing Program 400	Special Needs Housing Program		Total
		689-C	689-1A	
Operating Receipts:				
Shelter Rent	\$ 186,227	\$ 42,298	\$ 352	\$ 228,877
Interest on Investments	3,170	2,470	160	5,800
Other Operating Receipts	9,255	-	-	9,255
Total Operating Receipts	<u>\$ 198,652</u>	<u>\$ 44,768</u>	<u>\$ 512</u>	<u>\$ 243,932</u>
Operating Expenditures:				
Administrative	\$ 34,394	\$ 8,948	\$ 1,201	\$ 44,543
Tenant Organization	260	-	-	260
Maintenance	44,656	13,827	1,760	60,243
General	18,680	5,199	551	24,430
Provision for Operating Reserve	4,758	6,878	412	12,048
DHCD-Directed Costs	3,824	-	-	3,824
Utilities	72,558	4,242	364	77,164
Total Operating Expenditures	<u>\$ 179,130</u>	<u>\$ 39,094</u>	<u>\$ 4,288</u>	<u>\$ 222,512</u>
Income/(Deficit) before Subsidy Earned	\$ 19,522	\$ 5,674	\$ (3,776)	\$ 21,420
Operating Subsidy Earned	3,824	-	4,290	8,114
Income before Nonroutine Expenditures	\$ 23,346	\$ 5,674	\$ 514	\$ 29,534
Nonroutine Expenditures	16,806	2,749	678	20,233
Net Income/(Deficit)	<u>\$ 6,540</u>	<u>\$ 2,925</u>	<u>\$ (164)</u>	<u>\$ 9,301</u>

The accompanying notes are an integral
part of these supplementary schedules.

Supplementary Schedule No. IVState-Aided Programs in ManagementAnalysis of Surplus

Fiscal Year Ended September 30, 1999

	Family and Elderly Housing Program 400	Special Needs Housing Program		Total
		689-C	689-1A	
<u>Valuation of Fixed Assets</u>				
Balance September 30, 1998	\$ 37,006	\$ 3,543	\$ 851	\$ 41,400
Purchase of Equipment	<u>3,208</u>	<u>-</u>	<u>238</u>	<u>3,446</u>
Balance September 30, 1999	<u>\$ 40,214</u>	<u>\$ 3,543</u>	<u>\$1,089</u>	<u>\$ 44,846</u>
<u>Operating Reserve</u>				
Balance September 30, 1998	\$ 74,815	\$ 58,664	\$3,729	\$ 137,208
Net Income/(Deficit)	6,540	2,925	(164)	9,301
Provision for Operating Reserve	<u>4,758</u>	<u>6,878</u>	<u>412</u>	<u>12,048</u>
Balance September 30, 1999	<u>\$ 86,113</u>	<u>\$ 68,467</u>	<u>\$3,977</u>	<u>\$ 158,557</u>
Total Surplus	<u>\$ 126,327</u>	<u>\$ 72,010</u>	<u>\$5,066</u>	<u>\$ 203,403</u>

The accompanying notes are an integral part of these supplementary schedules.



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

A. JOSEPH DeNUCCI
AUDITOR

TEL. (617) 727-6200

2001-3052-8

-24-

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Louise Butler, Chairperson
Belchertown Housing Authority
41 Everett Avenue OFC 24
Belchertown, Massachusetts 01007-1073

Compliance

We have audited the compliance of the Belchertown Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the provisions of the Public and Indian Housing Compliance Supplement dated May 1996, that are applicable to each of its major federal programs for the fiscal year ended September 30, 1999. The Belchertown Housing Authority's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Belchertown Housing Authority's management. Our responsibility is to express an opinion on the Belchertown Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments,

and Non-Profit Organizations; and the provisions of the Public and Indian Housing Compliance Supplement dated May 1996. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Belchertown Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Belchertown Housing Authority's compliance with those requirements.

In our opinion, the Belchertown Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended September 30, 1999.

Internal Control over Compliance

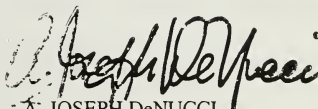
The management of the Belchertown Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We

noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Belchertown Housing Authority's Board of Commissioners, management, the Commonwealth's Department of Housing and Community Development, the U.S. Department of Housing and Urban Development, and other federal audit agencies. However, this report is a matter of public record, and its distribution is not limited.

April 27, 2001



A. JOSEPH DeNUCCI
Auditor of the Commonwealth

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended September 30, 1999

1. SUMMARY OF AUDIT RESULTS

- a. The auditor's report expresses an unqualified opinion on the financial statements of the Belchertown Housing Authority.
- b. The audit disclosed no reportable conditions or material weaknesses in internal control.
- c. The audit disclosed no instances of noncompliance material to the financial statements.
- d. The auditor's report on compliance for its major programs expresses an unqualified opinion.
- e. The audit disclosed no reportable conditions or material weaknesses in internal control over its major programs.
- f. There were no audit findings which are required to be reported under Section 510(a) of OMB Circular A-133.
- g. The Authority administered the following major programs:

Section 8 Rental Voucher
Section 8 Rental Certificate

CFDA No. 14.855
CFDA No. 14.857

- h. The threshold used to distinguish Type A and Type B programs was \$300,000.
 - i. The Authority was determined to be a low-risk auditee.
- 2. There were no audit findings related to the financial statements reported in accordance with "Government Auditing Standards."
 - 3. There were no audit findings or questioned costs relating to federal awards.
 - 4. There were no prior year audit findings or questioned costs relating to federal awards.

SUPPLEMENTARY INFORMATION

1. Audit Review

At the conclusion of our audit, we reviewed the results of our audit with Cathleen F. Normand, Executive Director of the Belchertown Housing Authority.

2. State-Aided Housing Programs

The Authority currently operates the following state-aided housing programs:

<u>Program</u>	<u>Type</u>	<u>Number of Units</u>
400	Family and Elderly Housing	60
689-1A	Special Needs Housing	2
689-C	Special Needs Housing	<u>14</u>
		<u>76</u>

3. Federally Aided Housing Programs

The Authority currently administers the following federally aided housing programs:

<u>Program</u>	<u>Type</u>	<u>Number of Units</u>
Section 8	Rental Voucher and Certificate	<u>30</u>

ORGANIZATION

September 30, 1999

The Belchertown Housing Authority is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended, which is known as the Housing and Urban Renewal Law. Cathleen F. Normand is the Executive Director.

The Authority's administrative office is located at 41 Everett Avenue OFC 24, Belchertown. As of September 30, 1999, the Authority was organized as follows:

Members

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Louise Butler 399 Chauncey Walker Road Belchertown	Chairperson	June 2000
Kenneth Nolan 29 Warner Road Belchertown	Vice-Chairperson	June 2002
Thomas Soja 701 George Hannum Road Belchertown	Treasurer	June 2001
Sally Dodge 71 Maple Street Belchertown	Assistant Treasurer	June 2003
Vacant	Member	-

